

VZCZCXRO8718  
RR RUEHGH  
DE RUEHIN #2388/01 1950629  
ZNR UUUUU ZZH  
R 140629Z JUL 06  
FM AIT TAIPEI  
TO RUEHC/SECSTATE WASHDC 1103  
RUEATRS/DEPT OF TREASURY WASHDC  
INFO RUCPDOG/USDOC WASHDC  
RUEHBK/AMEMBASSY BANGKOK 3333  
RUEHBJ/AMEMBASSY BEIJING 5413  
RUEHUL/AMEMBASSY SEOUL 7928  
RUEHGP/AMEMBASSY SINGAPORE 6506  
RUEHKO/AMEMBASSY TOKYO 7824  
RUEHML/AMEMBASSY MANILA 9756  
RUEHJA/AMEMBASSY JAKARTA 3885  
RUEHKL/AMEMBASSY KUALA LUMPUR 3524  
RUEHHI/AMEMBASSY HANOI 3094  
RUEHBY/AMEMBASSY CANBERRA 4242  
RUEHWL/AMEMBASSY WELLINGTON 1526  
RUEHHK/AMCONSUL HONG KONG 6619  
RUEHGH/AMCONSUL SHANGHAI 0233  
RUEHGZ/AMCONSUL GUANGZHOU 9414

UNCLAS SECTION 01 OF 02 TAIPEI 002388

SIPDIS

SIPDIS

STATE PLEASE PASS USTR  
STATE FOR EAP/RSP/TC, EAP/EP  
USTR FOR ALTBACH  
USDOC FOR 3132/USFCS/OIO/EAP/WZARIT  
TREASURY FOR OASIA/LMOGHTADER  
TREASURY PLEASE PASS TO OCC/AMCMAHON

E.O. 12958: N/A

TAGS: [EINV](#) [EFIN](#) [ECON](#) [TW](#)

SUBJECT: Taiwan to Streamline Insurance Policy Review

¶1. Summary: Taiwan's Financial Supervisory Commission Insurance Bureau (IB) announced it will streamline insurance policy reviews beginning September 1 in response to comments from AmCham and local insurance companies. The number of new insurance products requiring prior review and the review time will both be cut by more than half.

This change should increase efficiency and profitability of insurance companies, but requires companies to exercise strict internal controls. End summary.

#### Insurance Policy Review Reform

-----

¶2. In a briefing to chief executives of insurance companies on July 11, IB Director General Thomas Huang announced that beginning September 1 insurance firms will not be required to obtain prior permission for most new insurance products. In addition, insurance companies meeting certain criteria will be exempt from needing prior permission for new products. These measures will reduce the number of insurance policies requiring prior permission by about 75%.

¶3. New non-life insurance products still requiring prior permission include auto insurance, fire insurance, and unprecedented types of insurance policies. New life insurance products still requiring a prior permission include retirement annuities, investment-linked policies with guaranteed returns, and unprecedented types of insurance policies. All new foreign currency denominated life insurance products will still require prior approval.

¶4. However, insurance companies will be exempt from needing IB permission for the above-mentioned products if they have a risk-based capital (RBC) ratio exceeding 250%, aggregate IB fines of less than NT\$1 million (US\$30,769) in the past year, no significant defects in current products, and sufficient actuaries.

Less Review Time

-----

15. Huang also said the new insurance policy review time will be shortened to 90-130 days, much shorter than current reviews which take as long as two years. The IB must respond to a permit request within 90 days after the IB receives the request. If further documentation is needed, the IB has another 40 days to review supplemental documents.

#### Registration Requirement

16. Insurance companies will still be required to register all new products within 15 days of being marketed. The IB will then conduct a follow-up review sampling up to 30% of these new insurance products. The IB expects insurance companies to exercise strict internal controls and conduct thorough evaluation before putting new products on the market. For products failing to pass the follow-up review, the IB will impose heavy penalties, including suspension the privilege to put new products on the market for a year.

#### Protection for Innovation

17. The IB will provide six months of "innovation protection" that requires imitations of another company's new type insurance policy to seek prior IB permission.

#### Likely Effects

18. AIT contacts at the IB were optimistic that these insurance reforms will allow insurance companies to better plan and market their new products and increase their profitability in an

TAIPEI 00002388 002 OF 002

environment that they can better control. However, the contacts noted that if insurance companies fail to exercise strict internal controls, or if the IB fails to fulfill its regulatory duties, there could be serious negative consequences.

YOUNG